



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

August 19, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

AB 811 IMPLEMENTATION – BI-MONTHLY REPORT FOR AUGUST 2010

This status report includes updates on two items related to AB 811:

- On April 14, 2009, your Board directed the Chief Executive Office (CEO), in coordination with the Treasurer and Tax Collector (TTC), Internal Services Department (ISD), and the Energy and Environmental Policy Team, to provide monthly reports on progress in establishing a County-wide energy efficiency and renewable energy financing program pursuant to AB 811. Your Board also directed that the report should include: an implementation schedule for the utilization of American Recovery and Reinvestment Act (ARRA) Federal Energy Efficiency and Conservation Block Grant (EECBG) or other Federal stimulus related funding; an assessment of financial viability; and an inventory of other appropriate funding sources. The AB 811 status reports are now prepared bi-monthly.
- On July 13, 2010, your Board directed the CEO, TTC, and ISD to report back on the status of the Federal Housing Finance Agency's opposition to Property Assessed Clean Energy (PACE) financing, which would be offered in California under AB 811. As part of this motion, your Board directed County staff to halt the use of grant funds for the County's PACE program, to explore other financing options, and to work to resolve the PACE opposition. The CEO provided your Board with a detailed report on July 22, 2010, and will provide monthly status reports on this issue until it is resolved.

The Los Angeles County Energy Program (LACEP) is intended to motivate Los Angeles County property owners to implement energy and water efficiency retrofits to their existing buildings. AB 811, or PACE, financing is an optional, attractive means to implement retrofits and is intended to supplement and fill a void between other available financing options.

"To Enrich Lives Through Effective And Caring Service"

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Summary of Activities

Schedule Update

A table indicating key milestones and updated implementation dates (both completed and future) is included below.

LACEP Milestone Timeline			
Date	Milestone	Key Document/Activity	Responsibility
June 2009	Initiate outreach to cities and stakeholders	Conduct Stakeholder Input and Information Meetings	CEO, ISD
July 2009	Initiate financial analysis	Program Financial Model	TTC
November 2009	Program Designer, Implementer under contract	ISD Energy Support Services Master Agreement (ESSMA)	ISD
November 2009	Complete first phase outreach to cities to include in resolution	After Board approval of the program, cities must adopt a Council Resolution agreeing to join the County's program to participate.	CEO, ISD, TTC
February 2010	Continue stakeholder outreach and education	Marketing, Outreach Projects Assessment by ISD County Office of Sustainability (ISD-COS) and Program consultants	ISD, Consultant
April 2010	Board Meeting to adopt Resolution of Intention and set a date for Public Hearing	Resolution of Intention	TTC, County Counsel, Bond Counsel, ISD, CEO, Consultant
May 2010	Public Hearing to Establish District and Confirm Report (Policies and Financing Plan)	Resolution Confirming Report and Approving Program Program Report Form of Assessment	TTC, County Counsel, Bond Counsel, ISD, CEO, Consultant

LACEP Milestone Timeline			
Date	Milestone	Key Document/Activity	Responsibility
May 2010	Accepted DOE Retrofit Ramp Up Grant (\$30m)	Contract Form of Bond Indenture Resolutions authorizing establishment of Special Fund, Issuance of Bonds and authorizing validation proceedings Letter to the Board (May 25, 2010)	
June 2010	Initiate Legal Validation Proceedings Cities Pass Resolution to Join Accepted CEC grant (\$8m) Stakeholder meeting	All legal validation documents completed 46 cities passed resolutions Letter to the Board (June 15, 2010) Meeting with construction and solar industry stakeholders (June 15, 2010)	Bond Counsel, County Counsel, ISD
July 2010	Cities Pass Resolution to Join Complete Draft Implementation Documents PACE on hold	68 cities passed resolutions Implementation Manual (Marketing Plan, Workforce Development, Quality Assurance, Financing, Utility Coordination) July 22 response to the Board regarding Item 54B on July 13th Agenda	County Counsel, TTC, CEO, ISD, Consultant
October 2010	Soft Program Launch	Begin contractor orientation training workshops Utility rebates available Projects begin	ISD, Consultant, Utility Partners

LACEP Milestone Timeline			
Date	Milestone	Key Document/Activity	Responsibility
January 2011	Full Program Launch	Full scale marketing campaign begins	CEC, ISD, Consultant, Utility Partners

Additional Grants in Support of LACEP

On May 25, 2010, your Board accepted \$30 million in competitive EECBG funds from the United States Department of Energy (DOE) to enhance the participation of property owners in LACEP by implementing a wide variety of pilot programs to determine the most effective approaches for achieving widespread adoption of energy efficiency improvements. The DOE grant is a State-wide collaboration with the Association of Bay Area Governments, the Sacramento Municipal Utilities District, and the San Diego-based California Center for Sustainable Energy. Los Angeles County is the prime recipient of the DOE award, receiving approximately \$14 million of the total award, and is administering the grant with the DOE and coordinating sub-awardee activities. Pilot programs in development include: community based marketing, green building labeling, retail home improvement, HVAC contractor outreach, multi-family and whole neighborhood retrofits.

On June 15, 2010, your Board accepted an intergovernmental contract with the California Energy Commission (CEC) in the amount of \$8 million to provide additional resources to support widespread implementation of LACEP throughout the County. With this funding, LACEP seeks to expand the participation of property owners in LACEP by allowing the County to promote energy efficiency retrofits, conduct training for contractors, and provide broad marketing and outreach within participating incorporated cities. This funding supplements the formula-allocated EECBG funds, which were limited for use only within County unincorporated areas, to expand the marketing, outreach, and workforce development portions of LACEP.

With these additional funds, LACEP seeks to achieve the following goals:

- Achieve energy retrofits for 30,000 single-family homes by the end of 2013, with the potential to add \$300 million to the local economy;
- Create an estimated 3,200 home energy retrofit jobs and 2,000 ancillary jobs; and
- Reduce the County's annual greenhouse gas emissions (attributable to its existing housing stock) by 20,000 tons of carbon dioxide annually.

PACE Financing

In July 2010, the Federal Housing Finance Agency (FHFA), which oversees Fannie Mae and Freddie Mac, issued guidelines to lenders that restricted the ability of homeowners to participate in PACE financing programs. LACEP is one of many PACE financing programs nationwide that have been affected by the FHFA's action.

On July 13, 2010, your Board instructed the CEO in coordination with ISD and TTC to halt the use of grant funds on LACEP's PACE financing program, to explore other financing options, and to work to resolve the PACE opposition. As noted previously, the CEO provided a detailed report to your Board on July 22, 2010.

The County is actively supporting the efforts of the PACENOW Coalition which is a group of local and state governments, energy efficiency and solar advocates, environmental and clean energy non-profits, and financial and business institutions in support of PACE financing programs. The PACENOW Coalition efforts include enabling grassroots action, generating congressional support, engaging national organizations and introducing key legislation in support of PACE programs. These efforts resulted in significant support from around the country.

The PACENOW Coalition supports a bi-partisan bill in the Senate to have the PACE Assessment Protection Act added as an amendment to a larger piece of legislation that will likely pass when the Congress re-convenes in September. California Attorney General Jerry Brown filed suit against FHFA on July 13, 2010 in an effort to reinstate the rights of local governments to provide PACE financing to their constituents. A link to the PACENOW Coalition is located on the LACEP web site and provides up-to-date information on PACE financing.

ISD and the LACEP Consultant team is exploring alternative financing products to determine their compatibility with LACEP and whether modifications can be made to make them a viable option. Most existing financing products may be made more attractive through the application of subsidies in the form of interest rate buy downs or loan loss reserves. Some alternative options identified include:

- Fannie Mae Energy Loan – This loan is a 15.99% fixed rate unsecured loan with a 10 year term and maximum loan amount of \$20,000.
- GeoSmart Loans – Offered via the Electric & Gas Industries Association, a non-profit organization dedicated to advancing energy efficiency and renewable energy solutions. The GeoSmart Loan program offers both fixed and revolving rate products with 10 year terms and maximum loan amounts of \$25,000.

- Housing and Urban Development (HUD) Title I Home Improvement Loan – Any Title I loan in excess of \$7,500 must be secured by a mortgage or deed of trust on the property and is available through approved Title I lenders. The maximum term and loan amount for single family residences is 20 years and \$25,000. Rates vary depending upon borrower qualifications.
- SB 77 Expansion – The CEC, along with Senators Pavley and Huffman, are considering expanding SB 77 (which supports the creation of a PACE debt service fund) to support subsidies for non-PACE financing products.
- City of Los Angeles Commercial PACE Pilot Program – PACE financing for non-residential properties is not affected in the same manner as it is for residential properties. Thus, the City of Los Angeles is moving forward with the design of their pilot commercial PACE program. Key personnel from TTC, County Counsel and ISD are actively participating in City of Los Angeles' PACE planning meetings.

At the State level, the CEC is exploring the development of a Financing Mosaic (Mosaic) that would be available for all counties. In concept, Mosaic is a clearinghouse of financing options and a one-stop shop for consumers seeking to finance energy efficiency and renewable energy home improvements. It offers consumers who wish to finance energy upgrade projects the opportunity to apply, pre-qualify and view a side-by-side comparison of products and rates, enabling prospective borrowers to make an informed decision when selecting a financing solution for their projects.

IOU Coordination Efforts

Another important effort underway includes collaboration with the CEC and local investor-owned utilities (IOUs) to launch and implement LACEP in coordination with the IOUs' Whole House Retrofit Program mandated by the CPUC. The goal of this collaboration is to present the public with one seamless program to minimize confusion and maximize participation. All agencies are in agreement that residents performing the required energy efficiency retrofits should be able to take advantage of the IOUs' substantial rebates (up to \$3,500), as well as PACE financing, when available, without having to apply to the various programs separately. In the absence of PACE financing, the IOUs' rebates are critical to LACEP's launch to maximize participation through monetary incentives. Consequently, LACEP's launch date is altered to coincide with that of the IOUs' Whole House Retrofit Program. Contractor training begins, rebates are available, and projects can commence in October, 2010. Mass advertising, marketing and outreach campaigns begin in January, 2011.

LACEP and the IOUs are collaborating on a common web-based application to collect data, streamline applications, and create a user-friendly experience. Contractor credentials and quality assurance protocols are similar for both programs in order to produce a larger, more

efficient workforce. The IOUs and LACEP have partnered to create one workforce training curriculum to eliminate confusion amongst participating contractors. A Marketing and Communications Plan shared by both the IOUs and LACEP splits responsibilities in order to leverage financial resources and market to a larger audience.

Stakeholder Outreach

ISD contacted cities and Councils of Government to provide them with a template resolution and other materials to encourage them to join the County program. As of August 1, 2010, sixty-eight cities adopted a resolution to opt-in to LACEP. Seven additional cities calendared the LACEP opt-in resolution for consideration by their Councils. To aid these outreach efforts prior to LACEP's launch, LACEP's internet splash page (www.lacountyenergyprogram.org) compiles up-to-date stakeholder information including PACE developments, outreach efforts, marketing material downloads, and a matrix indicating cities that have opted into LACEP.

In addition, each of the Board offices has reviewed the Marketing and Outreach Plan draft. The final Marketing and Outreach Plan, incorporating Board office comments, is expected by the end of August, 2010.

The CEC and CPUC are using a top-down approach to ensure that the IOUs and all local government recipients of State Energy Program funds collaborate and share data without fear of regulatory noncompliance. Both agencies agreed to endorse a common brand in State-wide marketing and to host a State-wide web portal to deliver participants web-based local program information.

Contractor Outreach

On May 25, 2010, your Board instructed ISD to initiate a meeting with interested local contractors and report back on how LACEP can address their policy concerns. On June 15, 2010, staff from ISD-COS met with representatives from the home performance, solar, and general building industries to discuss LACEP. During the discussion, the contractors' concerns focused on three topics:

- Financing requirements and payment process;
- Contractor qualifications and participation in the program; and
- Workforce development to meet program demand.

The concerns related to PACE financing requirements included the restrictive nature of the underwriting criteria, the need for the interest rate to be competitive and the benefit of multiple disbursements to relieve the financial burden on contractors. As discussed in this report, PACE financing for residential projects has been put on hold, but these concerns will be addressed as staff works to identify alternate financing options.

Related to contractor participation, these stakeholders seek assurance that all participating contractors be required to maintain a minimum level of qualifications and, if performing specialty work, required to obtain additional certifications. This is consistent with LACEP requirements. There was also discussion about the need to have a comprehensive quality assurance and control mechanism in place to provide consumer protection and to ensure that contractors are properly installing efficiency measures. LACEP includes quality assurance procedures to periodically review projects performed by participating contractors ensuring that projects meet high standards of quality and achieve the efficiency goals outlined by the Program.

The industry representatives were concerned about the availability of qualified contractors in the region. Staff has completed an initial workforce gap analysis of the region identifying and quantifying the workforce needs. A workforce development plan is currently in progress and includes strategies to reduce this gap and grow the local green workforce. As part of the vetting process for the plan, a Workforce Advisory Committee (consisting of representatives from the local Workforce Investment Boards, Community Colleges, green workforce training organizations, industry organizations, interested business-owners and other key stakeholders) will be convened to review and provide comment on the strategies and tasks included in the plan.

Program Design, Implementation and Administration Consultant

ISD-COS continues to work with the LACEP consultant team to finalize design, implementation, and administration details, as well as develop processes for administering individual financing, automating Program steps and tracking all required information. ISD is also working with the DOE and CEC to revise existing contracts with the LACEP consultant team to incorporate the additional tasks that will be implemented with the additional grant funding.

Financial and Legal Activities

TTC, bond counsel, and County Counsel have indefinitely postponed the judicial validation process that was scheduled to begin in July, pending a resolution of the current issues related to PACE. All documents needed to file for judicial validation are complete. When PACE financing resumes, the judicial proceeding will be ready to begin.

TTC is actively working with the City of Los Angeles' non-residential PACE committee. This effort is at an early development stage.

Each Supervisor
August 19, 2010
Page 9

If you have any questions, or require further information on this matter, please contact me, or your staff may contact Ellen Sandt, Deputy Chief Executive Officer at (213) 974-1186 or esandt@ceo.lacounty.gov.

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c: Executive Office, Board of Supervisors
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